

June 28, 2018

Subject: Affordable Housing and Sustainable Communities Program: 2018 Recommended Awards

Reporting Period: April – June 2018

Staff Lead: AHSC Program Staff

Recommended Action:

Approve staff recommendation of awarding \$257,497,000 in cap-and-trade funding for the 2016-17 Affordable Housing and Sustainable Communities Program to 19 projects supporting greenhouse gas (GHG) emissions reductions and related co-benefits.

Summary:

The Affordable Housing and Sustainable Communities (AHSC) Program provides grants and loans for capital development projects, including affordable housing development and transportation improvements that encourage walking, bicycling, and transit use resulting in fewer passenger vehicle miles travelled (VMT). Reduction of VMT in these projects will achieve GHG reductions and benefit Disadvantaged Communities. In FY 2016-17, \$257,497,000 was made available to fund such projects. This staff report provides an overview of the AHSC Program, application process for the 2016-17 funding round, and summary of applications recommended for award.

Background:

The AHSC Program provides competitive grants and loans to projects that will achieve GHG reductions and benefit disadvantaged communities through the development of affordable housing and related infrastructure, and active transportation and transit improvements located near, connecting to, or including transit stations or stops. The AHSC program encourages partnerships between local municipalities, transit agencies and housing developers in order to achieve integration of affordable housing and transportation projects.

Per statute, a minimum of 50 percent of the total AHSC program dollars are dedicated to affordable housing, and 50 percent of AHSC funding must also be invested to benefit Disadvantaged Communities, as identified by the CalEnviroScreen 3.0 tool. These set-asides are not mutually exclusive.

The California Air Resources Board (ARB) set investment targets for the AHSC Program to benefit priority populations, aligned with statutory requirements set by AB 1550 for the entire suite of Climate Change Investments (CCI) administered by ARB. These include 55 percent in Disadvantaged Communities as identified by the CalEnviroScreen 3.0 tool, 10 percent in Low-Income Communities or Households and an additional 5 percent to Low-Income Communities or Households located within a ½ mile of a Disadvantaged Community.

AHSC Program Guidelines for the Fiscal Year 2016-17, adopted by the Strategic Growth Council (SGC) in July 2017, considered three project types as seen in Figure 1 below. AHSC Program Guidelines also established programmatic targets for Transit Oriented Development (TOD) projects, Integrated Connectivity Projects (ICP), and Rural Innovation

Project Area (RIPA) projects, which advise that at least 35 percent of funds to be invested in each of the TOD and ICP project types, and 10 percent be invested within the RIPA category.

Figure 1
2016-17 Affordable Housing & Sustainable Communities Program
Eligible Project Types

| TOD Transit Oriented Development | ICP Integrated Connectivity Project | RIPA Rural Innovation Project Area |
|--|---|---|
| Required: ✓ High Quality Transit ✓ Affordable Housing | Required: ✓ Qualifying Transit ✓ Sustainable Transportation Infrastructure | Required: ✓ Qualifying Transit ✓ Sustainable Transportation Infrastructure |
| Required: At least one additional components from the following: <input type="checkbox"/> Sustainable Transportation Infrastructure <input type="checkbox"/> Transportation Related Amenities <input type="checkbox"/> Programs | Required: At least one additional components from the following: <input type="checkbox"/> Affordable Housing <input type="checkbox"/> Transportation Related Amenities <input type="checkbox"/> Programs | Required: At least one additional components from the following: <input type="checkbox"/> Affordable Housing <input type="checkbox"/> Transportation Related Amenities <input type="checkbox"/> Programs |

Round 3 Application Process:

As the implementing agency for the AHSC, the California Department of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA) for this round of funding on October 2, 2017. Applications were considered through a competitive application process.

Threshold Review

The AHSC Program staff received 54 proposals requesting over \$680 million for this highly competitive program by the January 16th, 2018 deadline. After two applications received TCC funding and subsequently withdrew from AHSC, an AHSC review team verified the eligibility of the submitted proposals in accordance with FY 2016-17 AHSC Guidelines, and used the Threshold requirements to advance 49 proposals from 23 counties requesting \$634,197,700 to compete for the \$257,497,000 available through the competitive scoring process. Final decisions regarding proposal eligibility were made by the AHSC Implementation Working Group, which consists of a team from SGC and HCD, and vetted through the AHSC Steering Committee.

The proposals represent a wide range of VMT reduction strategies and strong collaboration between housing and transportation. Projects are set in large urban centers, medium-sized cities, small towns and rural areas across the state. The make-up of the 49 proposals that met the AHSC Threshold requirements, here-in 'Competitive Proposals', are detailed in Tables 1, 2 and 3 below.

| TABLE 1 | | |
|---|--------------------------|-----------------------|
| Competitive Proposals by Statutory Set-Aside | | |
| Statutory Set-Aside | AHSC \$ Requested | # of Proposals |

| | | |
|-------------------------|----------------|----|
| Affordable Housing | \$ 452,135,992 | 47 |
| Disadvantaged Community | \$ 524,025,923 | 40 |

| TABLE 2 | | |
|--|-------------------|----------------|
| Competitive Proposals by CCI Investment Target | | |
| Statutory Set-Aside | AHSC \$ Requested | # of Proposals |
| Low-Income Communities | \$ 563,212,958 | 43 |
| Low-Income Buffer Regions | \$ 8,226,250 | 1 |

| TABLE 3 | | |
|--|-------------------|----------------|
| Competitive Proposals by Project Area Type | | |
| Project Area Types | AHSC \$ Requested | # of Proposals |
| Transit Oriented Development (TOD) | \$ 264,325,450 | 15 |
| Integrated Connectivity Project (ICP) | \$ 414,583,357 | 28 |
| Rural Innovation Project Area (RIPA) | \$ 113,865,927 | 6 |

Scoring Review

The application review consisted of five review processes: GHG Quantification Methodology Review, Quantitative Policy Scoring, Interagency Narrative Review, Financial Feasibility Review, and optional MPO ranking. Below is a breakdown of each review process:

- GHG Quantification Methodology (QM) Review
 - ARB reviewed and verified the GHG Quantification Methodology scoring component of each applicant, to ensure appropriate application of the adopted GHG QM tools. Proposals were scored on a curve according to (1) total emissions reductions and (2) emissions reductions per dollar amount requested. Fifteen points are possible for each of these two GHG scoring categories.
- Quantitative Policy Scoring
 - HCD reviewed and verified applicants' self-score of the Program's Quantitative Policy Scoring criteria using SGC guidance and supporting documentation provided by the applicant. Scoring categories are focused on the Program's policy objectives. Some topics include Active Transportation Improvements, Anti-Displacement Strategies, and Housing Affordability. Fifty-five points are possible in this category.
- Interagency Narrative Review
 - The Interagency Narrative Review was conducted by a small team of individuals with diverse background knowledge relevant to the program from SGC represented agencies and departments. The team identified consensus scores for qualitative scoring components of each application based on a scoring rubric and then reviewed all scores to ensure consistent application of the scoring rubric. The participating agencies and departments included: HCD, Caltrans, California Environmental Protection Agency, and the California Strategic Growth Council. Fifteen points are possible in this category.
- HCD Financial Feasibility Review
 - HCD conducted a thorough review of project feasibility, as well as a confirmation of supporting documentation for threshold criteria related to project readiness

(such as developer experience, environmental clearances, site control, etc). This team also reviewed the project leverage and depth and level of affordability scoring criteria.

- Optional MPO Ranking
 - Each MPO with proposals in their region was offered a chance to rank the proposals based upon regional priorities, such as implementation of their sustainable community strategy. Each MPO that submitted a letter to SGC declined to rank proposals.

Applicants received notification of initial scores from HCD prior to final score issuance; this provided an opportunity to clarify information submitted prior to the application deadline and appeal any GHG Quantification Methodology and Quantitative Policy Scoring determinations. Final verified scores for these two categories were then issued to applicants.

Recommended 2016-17 Awards

Attachment A provides the staff recommendation for the FY 2016-17 AHSC Program awards, with \$257,497,000 available. The recommended list reflects the top projects within each project area type, based on the GHG Quantification Methodology, Quantitative Policy and Narrative Review scoring criteria adopted in the 2016-17 AHSC Guidelines.

This year's 19 recommended projects will reduce an estimated 475,000 metric tons of greenhouse gas emissions. Per 2016-17 AHSC Guidelines (Section 108(d)(3)), funding distribution was targeted by project area type:

- Transit Oriented Development Project Areas: 35% of total funds
- Integrated Connectivity Project Areas: 35% of total funds
- Rural Innovation Project Areas: 10% of total funds

For the remaining funds available, staff recommends funding the remaining top scoring applications. For applications with identical scores, projects were re-ordered as a group, regardless of project area type, and GHG scores were re-binned, as outlined in the 2016-17 AHSC Guidelines Section 108(d)(4)(iv). From that re-ordered list, projects with identical scores were ranked. The recommended awards meet all statutory and programmatic set-asides as outlined in Table 4 below.

| TABLE 4 Summary of AHSC Funding Recommended by Statutory Set-Asides <i>Note: Affordable Housing and Disadvantaged Community dollars are not mutually exclusive</i> | | | |
|--|------------------|---------------|---------------------|
| | Number of Awards | Total \$ | Percent of Total \$ |
| Total Funding Recommended | 19 | \$257,497,000 | 100% |
| Affordable Housing* | 19 | \$181,997,400 | 71% |
| Disadvantaged Community | 14 | \$184,056,214 | 71% |
| Transit Oriented Development (TOD) Project Areas | 7 | \$100,305,024 | 39% |
| Affordable Housing* | 7 | \$67,618,158 | |
| Disadvantaged Community | 5 | \$71,305,024 | |
| Integrated Connectivity Project (ICP) Project Areas | 8 | \$108,546,912 | 42% |
| Affordable Housing* | 8 | \$79,455,874 | |
| Disadvantaged Community | 7 | \$88,587,376 | |
| Rural Innovation Project Areas (RIPA) | 4 | \$48,645,063 | 19% |
| Affordable Housing* | 4 | \$34,923,368 | |
| Disadvantaged Community | 2 | \$24,163,813 | |

* Includes costs related to Affordable Housing Development and Housing-Related Infrastructure

Affordable Housing

Every project being recommended for an AHSC award will fund affordable housing development and related infrastructure. Approximately 71% of the total funds will go towards affordable housing and related infrastructure, exceeding statutory requirements to fund at least 50 percent of the total AHSC program for affordable housing. When completed, the recommended project areas will provide more than 1,950 units of affordable housing to a range of incomes.

| TABLE 5 Summary of Affordable Housing Units Funded by AHSC | | |
|---|--------------|---------------|
| Recommended AHSC Awards with Affordable Housing | 19 | awards |
| Total Affordable Units Funded | 1,950 | units |
| Extremely Low Income (Less than 30% Area Median Income) | | |
| Units Funded | 599 | units |
| Very Low Income (Between 30-50% Area Median Income) | | |
| Units Funded | 801 | units |
| Supportive Housing | | |
| Units Funded | 388 | units |
| Senior Housing | | |
| Units Funded | 50 | units |



Disadvantaged Communities

71 percent, or more than \$184 million in AHSC funds recommended in this fiscal year will benefit Disadvantaged Communities. This amount well exceeds the statutory requirements of SB 857 to invest at least 50 percent of AHSC funding to benefit Disadvantaged Communities, as identified by the CalEnviroScreen 3.0 tool. The recommended projects reflect critical needs for affordable, compact development in close proximity to transit in our most impacted and disadvantaged communities. \$82 million of these AHSC funds will benefit a disadvantaged community ranked in the top 5% percentile of CalEnviroScreen 3.0.

TABLE 6
Recommended AHSC Funding Providing Benefits to Disadvantaged Communities

| | Number of Projects | Total Dollars Requested | Percentage of Total Requested |
|---|-----------------------|----------------------------|-------------------------------------|
| Total Projects | 19 | \$257,497,000 | |
| Projects Providing Benefits to Disadvantaged Communities | 14 | \$184,056,213 | 71% |
| Located Within | | | |
| CalEnviroScreen 3.0 Score | | | |
| 96-100 | 6 | \$82,091,757 | |
| 91-95 | 3 | \$42,286,230 | |
| 86-90 | 3 | \$30,940,049 | |
| 81-85 | 1 | \$12,075,537 | |
| 76-80 | 1 | \$16,662,640 | |
| Not Providing Benefits to Disadvantaged Communities | 5 | \$73,440,787 | 29% |

Sustainable Transportation Infrastructure and Transit Improvements

All projects recommended for funding also connect affordable housing and key destinations to transit – including bus, bus rapid transit, and vanpool services with active transportation modes –predominantly bicycling and walking infrastructure. More than \$71 million in AHSC funding, or 28 percent of the total funding available, is being allocated for use on bicycle and pedestrian infrastructure, transit station area improvements, transit service and Intelligent Transportation Systems, and other transportation improvements supporting critical connectivity between housing, key destinations, and transit. This does not include the funds for three years of discounted or free transit passes provided to all Affordable Housing Development residents. All of the projects being recommended for award include some form of transportation related investments.

Of the transportation investments, 85 percent of the investments will be in Sustainable Transportation Infrastructure (STI) rather than Transportation Related Amenities (TRA). Sustainable Transportation Infrastructure investments are critical to increasing access through walking, biking, and transit, and are the transportation investments that are the most essential to

encouraging mode shift. AHSC awards will also fund annual transit passes, other ridership programs, and active transportation education and outreach programs necessary to achieve transportation mode shift. Examples of extensive transportation investments by projects recommended for award include:

- The 3268 San Pablo Project in Alameda will expand bus service with a new ZEV bus and add two new bike share stations, in addition to adding over two miles of Class II bikeways. Following a path of travel from the affordable housing development to Hoover Elementary School, 48 sidewalk improvements will be made. Improvements at MacArthur BART station include wayfinding signage and real time transit displays as well as a smart bike rack system.
- The Arrowhead Grove project in San Bernardino will add over two miles of context-sensitive bikeways and ½ a mile of sidewalks, identified in a Safe Routes to School audit, connecting residential areas to E. Neal Roberts Elementary School. Additional pedestrian safety improvements including crosswalks, school signs, and beacons will be added around the school. Public transit accessibility will be enhanced through the addition of two new bus shelters.
- The Sequoia Commons Project in Goshen will include Class II and protected, Class IV, bike lanes along with traffic calming measures. Additionally, nearly 2/3 miles of sidewalks and 20 vans for vanpool service will be purchased. A transit stop, way finding markers, lighting, signage, and benches will all increase pedestrian and transit accessibility.
- The Long Beach Active Streets Project will create a pedestrian friendly environment by adding lighting, street trees, and accessibility and safety enhancements to Long Beach Boulevard, along with pedestrian safety improvements on other streets. An unsafe intersection will be improved for bicyclists, closing a key network gap, and a green alleyway accessible to bicyclists will be added.

Geographic Distribution of Awards

2016-17 AHSC award recommendations reach a diverse set of locations across the State, reflecting regional priorities for both affordable housing development and transportation and transit investments. Recommended awards include two projects within the city of San Diego, their first ever AHSC awards, and the first ever project to the city of San Bernardino. Seven of the eleven regions that advanced past the Threshold review are being recommended for awards.

The Staff recognizes that many challenges still remain to ensuring a more equitable disbursement of awards statewide. AHSC program staff is dedicated to providing attention to regions that are applying and not receiving awards at a rate reflective of what is seen in the greater Program.

In an attempt to address concerns about geographic distribution in previous rounds, the Round 3 Outreach and Technical Assistance efforts focused on reaching areas of the State that had either not been awarded or had not applied to AHSC in Rounds 1 and 2. Since March of 2016, SGC has implemented a statewide outreach strategy that focused on the following efforts:

- Informing local jurisdictions about the opportunities AHSC offers
- Providing proactive consultation and technical assistance to future applicants

Since the conclusion of Round 2 in October 2016, AHSC Program staff have held or participated in over 50 AHSC-related workshops, presentations, and events. Targeted outreach efforts included one-on-one site visits and capacity building workshops in dozens of local

jurisdictions throughout the State to help prepare applicants for Round 3. These workshops were carried out in locations such as Merced, Fresno, San Bernardino, Imperial, San Bernardino, and San Diego. The combination of targeted outreach and technical assistance in key areas across the state is demonstrated in the broad geographic spread of awards recommended for Round 3.

Table 7
Geographic Breakdown of Applications and Awards

| | Applications Submitted (Excludes 4 Applications Disqualified at Threshold) | | Full Applications Recommended for Funding | | | |
|--------------|---|-----------------------------------|--|----------------------|--|---|
| MPO | Dollars Requested | Applications submitted | Total Awards | Total Dollars | Percentage of Total Funding Requested | % of Requested Dollars Awarded |
| MTC | \$131,419,407 | 11 | 4 | \$51,917,500 | 20.72% | 39.51% |
| SCAG | \$292,146,521 | 22 | 7* | \$91,000,666 | 46.07% | 31.15% |
| FRESNO | \$40,008,429 | 3 | 1 | \$16,039,962 | 6.31% | 40.09% |
| SANDAG | \$29,934,273 | 2 | 2 | \$29,934,273 | 4.72% | 100.00% |
| SACOG | \$53,870,730 | 4 | 1 | \$16,255,000 | 8.49% | 30.17% |
| SHASTA | \$19,959,536 | 1 | 1 | \$19,959,536 | 3.15% | 100% |
| KERN | \$19,240,850 | 2 | 1 | \$8,226,250 | 3.03% | 42.75% |
| STANCOG | \$12,075,537 | 1 | 1 | \$12,075,537 | 3.51% | 100.00% |
| TULARE | \$12,088,276 | 1 | 1 | \$12,088,276 | 1.90% | 100.00% |
| SJCOG | \$11,082,558 | 1 | 0 | \$ - | 1.75% | 0.00% |
| No MPO | \$12,371,583 | 1 | 0 | \$ - | 1.95% | 0.00% |
| TOTAL | \$634,197,700 | 49 | 19 | \$257,497,000 | 100.00% | |

*A SCAG application is receiving partial funding (76.5% of amount requested), due to the limitation of funds available.

Key Policy Issues for Consideration in Future Funding Rounds

Through the application process, including staff review, applicant consultation, information submitted by our technical assistance providers, and appeal processes, several issues of concern were identified which shall be considered in future Guidelines. Through future updates to the program, the SGC strives to create stronger and more inclusive metrics in order to better quantify and capture the various impacts of a project.

- **Homeownership Projects.** While AHSC currently allows applications for homeownership developments, few applications have been received and none awarded in the past two rounds. Restrictions on affordability are an apparent obstacle, but others may also exist. AHSC Program staff will conduct outreach to determine what changes to the Guidelines would facilitate competitive homeownership applications, as these provide generational equity that aid in economic mobility.
- **CARB Co-Benefit Assessments.** CARB has issued new requirements for recording and reporting co-benefits achieved by California Climate Investment programs. Many of these will be built into the GHG Calculator used for the AHSC Program and many required to be reported on. It is up to the discretion of AHSC Program staff as to whether these co-benefit assessment methodologies, many still in draft form, will be used in



scoring. Some of the co-benefits, such as climate adaptation and community engagement, are already scored in the Program, but all of the methodologies will be considered for integration.

- **Clarity and Streamlining Information Provided through Guidelines and Application Process.** In the third cycle of the AHSC Program, significant progress has been made to enhance the quality and detail of communications prior to application submittal and during the application review process. We hope to continue improving our efforts to provide clear and useful guidance, including further aligning vocabulary and eliminating unnecessary information asks of our Applicants in application materials, in the next round of AHSC Program activities.

Technical Assistance

AB 1613 (Chapter 370, Statutes of 2016) appropriated \$2.0 million from the Greenhouse Gas Reduction Fund (GGRF) to the Office of Planning and Research for the Strategic Growth Council to provide technical assistance (TA) to disadvantaged communities to apply to California Climate Investment programs. Of these funds, approximately \$500,000 was set aside for technical assistance for the Affordable Housing and Sustainable Communities (AHSC) Program.

In Round 2, an AHSC pilot technical assistance program provided TA to applicants located in disadvantaged communities that were unsuccessful in securing funding in Round 1. SGC contracted researchers at UC Davis to conduct an evaluation of the AHSC TA Pilot, who were able to provide recommendations on the TA program design for future rounds.

Building off of the lessons of the Round 2 AHSC TA Pilot, the Round 3 technical assistance effort focused on providing TA to AHSC applicants based on a variety of criteria, including whether projects would meet Threshold criteria, scope of TA needs, geographic diversity, location in disadvantaged, low-income, and/or tribal communities, and capacity of the applicant.

Once TA recipients were selected, the SGC-contracted technical assistance teams provided assistance in the form of Project scope development, partnership development between co-applicants, and direct application assistance to 29 of the total 57 applications received this round. Of those 29 applicants, 12 projects are represented in the staff recommendations for funding. This represents 63% of the total AHSC awards for Round 3.

Next Steps and Timeline

Updates to Round 4 Guidelines

AHSC Program Staff have been gathering informal and anecdotal feedback throughout the year on potential improvements and changes to the AHSC Guidelines, as well as to the AHSC application process. Now with the results of the third round of funds, AHSC Program Staff plans to conduct listening sessions to gather specific feedback on aspects of the AHSC program as part of a thorough effort to make meaningful improvements to the program.

AHSC will be hosting informal lessons-learned workshops based on AHSC Round 3 experiences in the following weeks. These sessions will address a variety of aspects of the program, including but not limited to the following topics:

- Program Costs maximum
- Joint and Several Liability Provisions
- Narrative Scoring

- Project Type classification
- Definitions of “Context Sensitive Bikeways
- Committed Funding Threshold Requirement

Following these listening sessions, AHSC Program Staff will revise the AHSC Guidelines based on the gathered feedback and release Round 4 draft program Guidelines in August 2018. Additional workshops will be conducted regarding those revisions and an open comment period will allow stakeholders to submit more suggestions and feedback. AHSC Program Staff anticipates Council approval of revised Year 4 Guidelines in the fall of 2018.

The extension of Cap-and-Trade through 2030 combined with the AHSC Program’s continuous 20 percent appropriation of Greenhouse Gas Reduction Fund monies creates certainty about the future of the AHSC Program and its source of funding. The Program will move towards an annual cycle in alignment with the fiscal year cycle with Guidelines consistently adopted in the fall, applications due near the beginning of the calendar year, and awards made in the summer.

AHSC Program staff continue to conduct outreach to local jurisdictions, encouraging them to develop potential AHSC projects and create “pipelines” for future application cycles. With a recurring AHSC schedule, it is the hope that projects will be able to better plan for applying in future rounds.

Figure 2: Tentative Schedule for AHSC Round 4

| | |
|--|----------------------|
| <i>Quarterly Cap & Trade Auction</i> | <i>August 2018</i> |
| Listening Sessions on Lessons Learned in AHSC Round 3 | July 2018 |
| <i>TCAC Applications Due</i> | <i>July 2018</i> |
| Release of Round 4 Draft Program Guidelines | August 2018 |
| Stakeholder Meetings/Comments on Draft Guidelines | September 2018 |
| Release of Round 3 Application | October 2018 |
| <i>Quarterly Cap & Trade Auction</i> | <i>November 2018</i> |
| Application Due Date | February 2019 |
| <i>Quarterly Cap & Trade Auction</i> | <i>February 2019</i> |
| <i>Quarterly Cap & Trade Auction</i> | <i>May 2019</i> |
| Awards Adoption | June 2019 |

Council Approval

Staff recommends Council approve the staff recommendation, as reflected in Appendix A of this staff report. This recommended list identifies a total of 19 projects, representing \$257,497,000 in GGRF monies, and would reduce approximately 475,000 metric tons of greenhouse gas emissions. In the case that an awarded project does not satisfy conditions for receiving its award, or an awarded project decides to forego an award, staff will use the same methodology

presented in this report to award the next highest ranking project, and do so in the respective category (TOD, ICP, RIPA) if project type targets are impacted.

ATTACHMENTS:

Appendix A (Tables 1-3)

- FY2016-17 AHSC Funding Recommendations
- AHSC Applications Not Recommended for Award
- AHSC Applications Eliminated at Threshold Review

Appendix B: Summary of FY2016-17 AHSC Recommended Projects

Appendix C: Map of FY2016-17 AHSC Recommended Projects

